

Edwards,Michelle

From: Todd Nation [booknation@gmail.com]
Sent: Wednesday, November 09, 2016 10:52 AM
To: Payne, Brian
Cc: Azar, George; DeBaun,Curtis; Auler,Amy; Morris,Don; Elliott,Earl; Nasser,Karrum; Nation,Todd; Garrison,Neil; Crossen,Martha; Edwards,Michelle
Subject: Re: Thank You! & Thoughts on Hybrid SW Fee

This is very helpful, Brian. Thank you for your thoughtful input on this legislation.

Sincerely,

Todd Nation
mobile 812-870-4986

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CITY CLERK

On Nov 9, 2016, at 9:41 AM, Payne, Brian <bpayne@structurepoint.com> wrote:

Good morning Council Members,

First and foremost: thank you for your thoughtful consideration and discussion of both the new budget and the proposed sewer and stormwater fees. I recently had the chance to get caught up on the recent council meeting recordings and I've been impressed with your concern and representation of the citizens of Terre Haute. Thank you for your hard work and please keep it up! We do notice and appreciate your effort.

I also wanted to offer my personal thoughts on the proposed stormwater and sewer fees, and share what I hope is some useful information. You'll find attached 2 reports I've requested from Umbaugh. The reports provide a statewide evaluation of both wastewater and stormwater fees over the past four years. The wastewater study uses 4,000 gallons (typical monthly single family household wastewater generation) as a common unit for comparison between Indiana communities. For comparison when reviewing the report: A typical Terre Haute household currently pays \$37.96/mo for 4,000 gallons. Under the proposed wastewater rate increase that rate grows to \$50.48/mo. You can look in the report and see how our current and proposed wastewater and stormwater fees compare to other Indiana communities over the past 4 years. My calcs are summarized in the table below for the 33% wastewater rate increase (and attached as a spreadsheet):

	Gallons Generated	Fee / 100 CF	Equivalent Gallons	Min Fee (First 300 CF)	Equivalent Gallons	Total Fee (4,000 gallons)
Existing	4000	\$ 7.40	748	\$ 23.16	2,244	\$ 37.96
Proposed	4000	\$ 9.84	748	\$ 30.80	2,244	\$ 50.48

Our existing monthly fee of \$37.96 for a typical household compares favorably with the statewide average (in December 2015) of \$39.12 from Umbaugh's study. The proposed increase to \$50.48 is certainly above average, but it doesn't exceed the maximum rate in the state of \$87/mo for 4,000 gallons. It is important to note that the state wide averages only went through December 2015 and don't reflect any rate increases proposed within the last year. In addition, 20% of the 370 communities evaluated in the report have not raised wastewater rates in over a decade. They are long overdue and are likely facing (or have already implemented) large rate increases. The proposed residential

stormwater rate of \$3.50 is well below the state average of \$5.36/mo based on 86 Indiana Stormwater Utilities.

Finally, I tried to put myself in your shoes and evaluate the proposed waste water and hybrid wastewater + stormwater fee increases. While I did evaluate the fee increases through my perspective as practitioner in the wastewater / stormwater field, in addition to a Terre Haute resident, the thoughts that follow are simply my personal opinion and don't represent professional recommendations.

1. The proposed stormwater fee requires a higher burden of proof as an entirely new fee
 - Because the stormwater fee is a fee that doesn't currently exist, I feel that the administration needs to provide a strong rationale for this fee and a clear plan for its use. Many communities implement a stormwater fee through a stormwater utility with a stormwater management plan for those very reasons. As proposed, the stormwater fee would be administered by and across the sanitary district and go solely towards financing bonds for the next phase of the Long Term Control Plan.
 - As a new fee, the opportunities for unintended consequences and unfair implementation are greater than for the existing wastewater fee.
 - Ultimately I do not feel the administration has met the criteria above for implementation of a new stormwater fee. I think it is certainly a something that should be considered in the future, but it will need careful study and significant public input to get buy-in. That just hasn't been accomplished yet.
2. The hybrid fee proposal isn't necessarily more equitable
 - For average users, I think the hybrid fee versus the wastewater fee increase is nearly a wash. For example, our average monthly sewer bill is around \$45/month. A 1/3 increase would add \$15. A 22% increase plus \$3.50 stormwater fee would add \$13.50 – nearly the same. I think this is part of why you haven't seen a large participation from residents. Intuitively we recognize the rates are going up one way or another.
 - Where the equity is less clear is for business and organizations with large physical footprints (impervious areas) – and these are the folks that have been vocal and shown up to your meetings. Here too, I think it will be a wash for many users. While service industries (restaurants, laundromats, etc.), multi-family housing, universities, and even some churches may have large physical footprints, they also likely have large wastewater bills because of their high water use. They're going to get hit hard whether it's the wastewater fee or hybrid fee.
 - There are a small group of users that could be disproportionately impacted by the hybrid fee: large footprint but small water users (some commercial and industrial/commercial users like logistics/shipping) and agriculture. These were the most vocal opponents of the hybrid fee. While some of these users are contributing large amounts of stormwater to the sanitary sewers (any business with large runoff within city limits not serviced by one of the very few stormwater sewers), there are some that have valid concerns about being charged for runoff that they're not contributing to the sewers. I did look at the industrial park in Beacon to try to verify the claim that those businesses don't contribute to the sanitary sewers. There aren't any existing stormwater sewer shown, but there are several stormwater detention basins. The area is only served by sanitary sewers, but it is still likely that the claim is true that all stormwater is retained and not allowed to enter the sewers. This would have to be confirmed with the city engineer. I also think the farmer who spoke made a compelling argument that he also isn't significantly contributing runoff to the system.
 - Overall, I do not feel sufficient data has been supplied to support the case that the hybrid fee will be more equitable for most users and I suspect there will be a small minority of users disproportionately charged for a service they either don't use or use very little.

3. The wastewater fee increase seems to be simpler and more transparent
- I found the most constructive way to think about the upcoming required long term control plan improvements is that they are simply a business cost of providing sanitary sewer service to customers. As such, I think the simplest and most transparent method of dealing with the LTCP cost is to raise the fees of users purchasing service to provide the necessary revenue for the next bond issue. Terre Haute is not alone in facing these LTCP costs – communities all across Indiana are facing them. Compared to many of these communities, Terre Haute is facing a rather modest price tag. It is paramount that progress be made on the LTCP so that these agreeable terms aren't renegotiated or fees and/or fines levied against the community.
 - People outside the city limits but within in the sanitary district will argue that the sanitary fees are taxation without representation. While I understand the sentiment – they're not being taxed, they're being charged a fee for a service. Any business or service provider must and will include the costs of providing that service in their fee in order to stay in business – and unlike taxes that's not something you get to vote on. This is not an insignificant group. In Beacon, you can select the "Sanitary District" layer and see how much larger the sanitary district it is than the city boundary.

In summary, for the three main reasons outlined above I personally recommend you approve the wastewater fee rate increase and reject the hybrid fee. I do commend you for considering both – that's just the sort creative and critical thinking we need to get us on a better financial footing. In truth, until I spent time evaluating the two choices I initially preferred the hybrid fee, but it just doesn't hold up to closer scrutiny.

Please feel free to contact me to discuss further.

Sincerely,

Brian Payne, PE
Staff Engineer – Utility Infrastructure

<image001.jpg>

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